

Message Text

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ACTION NEA-10

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SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 FEA-01 INT-05

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R 311400Z OCT 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 3259

INFO AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TEHRAN

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EFIN, AG

SUBJ: ARAB MONETARY UNIT

1. SUMMARY: OPINION COLUMN OF OFFICIAL DAILY EL MOUDJAHID RECENTLY FLOATED IDEA OF ARAB MONETARY UNIT. WHILE IDEA APPARENTLY NOT NEW, MORE MAY BE HEARD OF IT IN FUTURE. END SUMMARY.

2. POSSIBILITY OF AN ARAB MONETARY UNIT WAS RAISED IN RECENT "OPINION" COLUMN IN OFFICIAL DAILY EL MOUDJAHID. ARTICLE WRITTEN BY ABDELMALEK TEMMAN, PRESIDENT OF NATIONAL BANK OF ALGERIA (BNA) AND KEY ALGERIAN ECONOMIC DISCUSSION MAKER.

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3. TEMMAN IN COLUMN NOTES THAT SONATRACH HAS HAD POLICY OF PRICE ADJUSTMENTS SINCE 1973 TO PROTECT THE REAL VALUE OF OIL. NOW, HOWEVER, TIME HAS COME TO GO FURTHER IN ORDER TO RESTORE THE VALUE OF CERTAIN MINERAL RESOURCES (READ OIL) AND TO AVOID THE SITUATION WHERE THESE GAINS ARE ERODED BY CURRENCY FLUCTUATIONS.

5. TEMMAN THEN PROPOSES THE AVERAGE VALUE OF A BARREL OF ARAB OIL AS THE BASIS FOR AN ARAB MONETARY UNIT TO BE CALLED ARAB UNIT OF ACCOUNT (UCA). INDIVIDUAL ARAB CRUDES COULD THEN BE PRICED IN RELATION TO THIS AVERAGE. THE GOAL WOULD BE TO AVOID THE SITUATION WHERE OIL EXPRESSED IN ONE CURRENCY OR ANOTHER PRODUCES A REVENUE WHICH FLUCTUATES AT WHIM OF EXCHANGE MARKET.

5. THE VALUE OF THE UCA WOULD BE REPRESENTED BY THE COMBINED PARITY VALUES OF THE PRINCIPAL CURRENCIES. APPRECIATION OF DOLLAR RELATIVE TO THE FRENCH FRANC WOULD MEAN, FOR EXAMPLE, TEMMAN SAYS THAT IT WOULD TAKE MORE FRENCH FRANCS TO PURCHASE ARAB MONETARY UNIT.

6. TWO IDEAS SEEM ESSENTIAL, TEMMAN SAYS: 1) THAT OIL REFLECT LAW OF SUPPLY AND DEMAND AND 2) THAT RELATIONSHIP BETWEEN PRICE OF ANY TWO CRUDES EXPRESSED IN UCAS WILL REMAIN SAME. EVENTUALLY UCAS COULD SERVE AS A RESERVE CURRENCY AND COULD BE USED FOR TRADE AMONG ARAB STATES WHEN THIS TRADE GROWN TO SUFFICIENT PROPORTIONS. IN MEANTIME, CAPITAL OF ARAB FINANCIAL INSTITUTIONS COULD BE EXPRESSED IN UCAS.

7. EMBASSY'S INTERPRETATION OF "TEMMAN'S SCHEME" IS THAT IT CONTAINS TWO BASIC ELEMENTS: 1) APPRECIATION OF ANY KEY INTERNATIONAL CURRENCIES RELATIVE TO OTHERS WOULD MEAN THAT NUMBER UNITS OF DEPRECIATED CURRENCY PER UCA WOULD RISE, 2) UCA ITSELF COULD APPRECIATE RELATIVE TO ALL OTHER KEY CURRENCIES IF LIMITED OFFICIAL USE

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DEMAND FOR OIL INCREASED.

8. COMMENT: ACCORDING FRENCH FINANCIAL ATTACHE, CONCEPT OF AN ARAB MONETARY UNIT IS NOT NEW ONE. IN FACT, SOURCE SAYS, TEMMAN HIMSELF DOES NOT BELIEVE IN THE CONCEPT, DESPITE FACT ARTICLE APPEARED UNDER HIS SIGNATURE. NEVERTHELESS, CONCEPT APPEARS TO BE A PERSISTENT ONE WHICH MAY WELL

SURFACE IN FUTURE INTERNATIONAL MONETARY DISCUSSIONS
INVOLVING ALGERIA.
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